

## Identification and prioritization of principal adverse impacts in investment decision-making process

Priveq will report on all applicable principal adverse impact indicators put forward in Table 1 of Annex 1 to the Regulation (EU) 2019/2088, and one additional indicator each of the social and environmental indicators presented in table 2 and 3 of the same Annex. The additional indicators mentioned in Article 6(1) points (a) and (b) have been chosen upon their level of risk and relevance for the portfolio as a whole, as well as Priveq's potential for influence. All our portfolio companies are expected to formulate a sustainability strategy, including focus areas with complementing KPIs, which are especially relevant for the specific company.

This policy was approved by the Board of Directors on June 4, 2024. Each year Priveq review the policies which are then approved annually by the Board of Directors.

The responsibility for the implementation of the policy within Priveq is held by the ESG responsible partner. All employees within the company have, however, been educated on the policy to ensure their compliance with and understanding of it. The Priveq team responsible for each portfolio company are co-responsible for the adherence of their portfolio company to the targets and actions put forward in this statement.

It is important for Priveq that our investee companies work to reduce their environmental impact, as well as ensuring a healthy social environment and sound governance. As Priveq is not directly involved in the companies' day-to-day activities, one of our strongest points of impact is by making sure the companies have a clear plan and strategy for their sustainability work, as well as a process for monitoring their development. The choice of the additional environmental and social indicators was chosen with this in mind, and also the level of risk the KPI holds, including its probability of occurrence and the severity of the impact.

Having performed a double materiality analysis, one of the main points identified to be a focus area was reducing the climate impact because of its severe consequences, and also probability of occurrence. The main source of emissions is our portfolio companies, and to influence them to implement a carbon emission reduction initiative is therefore seen as an important factor in enabling change. Thus, the additional environmental indicator chosen is number 4: "Investments in companies without carbon emission reduction initiatives". When it comes to the social indicator, the "Lack of supplier code of conduct" was chosen. Priveq's close collaboration with our portfolio companies results in high transparency when it comes to their more direct sustainability efforts. As the suppliers of our portfolio companies are an additional tier away, the ability of having a clear overview is reduced. Thus, we deem the probability of an incident within these supplier companies as higher, and having a supplier code of conduct reduces this probability. The severance of occurrence is also deemed as higher, related to the fact that suppliers may be placed in countries where the regulations are less strict than they are in the countries of the portfolio companies. The implementation of a supplier code of conduct is thus seen as an important step in reducing this risk.

Doing a mostly qualitative assessment of the severity and probability of occurrence of these indicators indicates a margin of error imbedded in the methodology connected to human biases. To limit these biases, multiple people have been cross-checking the analysis.

Priveq's prioritisation after investing in a company when it comes to ESG, is to set up a sound governance structure. When the companies have this base, it is easier to steer their day-to-day actions towards more sustainable strategies and choices.

The data for the PAI indicators has been gathered by the respective investee companies with the help of an online reporting tool chosen by Priveq, and aggregated by Priveq to show a holistic picture of the current status. As the Fund invests in smaller companies which might not have the necessary processes in place to obtain high quality ESG data, there is a risk that the data coming from the portfolio companies hold some elements of error due to the used measuring techniques by the portfolio companies, or a failure of collecting all relevant data. To limit this risk, Priveq has created a process of internal correction to identify irregularities in data and act on these. Priveq initiated the collection process a few years ago and has since analysed the data every year to find irregularities. When found, these have been communicated with the investee companies to discuss how to improve the data collection. Additionally, Priveq is arranging webinars with sustainability experts on the topic of sustainability reporting for all our portfolio companies to further improve the reporting level. When new indicators are introduced, these are subject to scrutinised controls to limit the errors.

#### **Description of actions taken and actions planned to avoid or reduce PAIs identified**

Priveq uses a digital reporting tool to collect data on the indicators from portfolio companies. Annually, Priveq performs a more thorough review of the collected indicator data. Following this review, the most crucial indicators needing attention are identified. For these indicators, Priveq analyses and puts together an action plan as to what actions should be taken in order to improve their performance. The action plan is partly communicated to external stakeholders through the PAI reporting, and also to the portfolio companies to the extent that they are affected or expected to be part of the actions to be taken.

#### **Policy texts on engagement**

Priveq has implemented ESG guidelines for all of our portfolio companies which outline our expectations of them as investee companies. These guidelines include an expectation that portfolio companies should have certain steering documents in place, but also covers the topic of monitoring. Priveq requires our portfolio companies to disclose sustainability data to Priveq on a regular basis, including data points related to the PAI indicators. Should no reduction of the principal adverse impacts occur over more than one period reported on, Priveq initiates a discussion with the portfolio company at hand to understand:

- i) Why no improvement has been achieved,
- ii) What can be done to turn the trend

Priveq will together with the portfolio company draft an action plan aimed at achieving a positive change for the next reporting period.

In addition to the ESG guidelines, Priveq are requiring our portfolio companies to create and implement additional policies to work with principal adverse impacts. These are:

- Code of conduct
  - o The code of conduct should be based on the UN Global Compact's 10 principles including human rights, work environment, environmental impact and anti-corruption.
- Supplier code of conduct
  - o This supplier code of conduct should also be based on the UN Global Compact's 10 principles.
- A whistleblower function
  - o A process for handling whistleblowing matters should be in place.

These policies cover the areas of corruption, human rights and environment, which translates to indicators 1-6 and 10-11. The engagement policies seek to uphold a minimum standard for our portfolio companies within their respective areas, and also guide the companies in their work for improvement. Improvement is then measured by the annually gathered sustainability indicators. Should the engagement policies fail in their effort to help the companies improve on the principal adverse impacts over more than one period reported on, Priveq will make sure to analyse the result. Where the policies are identified as being a cause of the improvement failure, these will be improved. Regardless of the development of the indicators, Priveq does an annual review of the policies to make sure they are up to date and also to include any updated regulations or new research from which the policies would benefit.

### **Responsible business conduct codes and internationally recognised standards**

Priveq is a signatory of Principles for Responsible Investments and is also a member of the industry organisations Invest Europe and the Swedish Venture Capital Association, to which codes of conduct Priveq has committed to adhere to. Additionally, Priveq follows the OECD Guidelines for Multinational Enterprises. The alignment to these standards is measured by the indicators of 10 and 11, as these show how well we as owners have incorporated ESG issues into our investment analysis processes, and also managed to incorporate these issues into our ownership policies. This data is collected through the digital reporting tool described above, wherein the portfolio companies report the data needed.

Priveq is committed to follow the UN Declaration of Human Rights and the Conventions of the International Labour Organisation. In line with this, we are committed to not make investment that significantly conflicts with the UN Global Compact's 10 principles. This is measured by the indicators number 10 and 11, explicitly mentioning the UN Global Compact, and the additional indicators number 9 regarding Human Rights and number 2, concerning the rate of accidents.

Priveq does currently not consider forward-looking climate scenarios. While forward-looking climate scenarios are not deemed irrelevant, Priveq is currently analyzing the possibility of using such scenarios.